

**MINUTES
OF
WFP SHIPPING SERVICE
EXECUTIVE BOARD MEETING
HELD AT UNORC No.1
On 28th September 2006**

Present:	Pak Eddy Purwanto	-	COO BRR
	Eric Morris	-	UN Recovery Coordinator for NAD– Nias
	Jens Baekholm	-	Head of WFP Shipping Service NAD-Nias
	Alan Johnson	-	Logistics Coordinator WFP Shipping Service
	Michael Whiting	-	WFP Shipping Service
Absent:	John Brady	-	Senior Logistics Advisor BRR

The meeting was opened by Eric Morris. Eric Morris welcomed the attendees, the minutes of the meeting held on 02 Sept 06 were adopted as read, and asked Jens Baekholm to go through the agenda items.

ITEM 1: WFP SHIPPING SERVICE CORE MANDATE. Jens Baekholm reminded the meeting that the core mandate of the WFP Shipping Service (the Service), as indicated in the current Special Operation SO 10498.0, reflected the role of the Service as a humanitarian organization rather than a development organization. It was noted that there was growing pressure from the Multi-Donor Fund for Aceh and Nias (MDF) Secretariat for the Service to take on more and more development – orientated roles.

The Service currently had neither the mandate nor the capability to develop commercial shipping or to develop a sustainable exit strategy based upon a transport economy study of the role of the Service.

A discussion ensued during which it was decided that, by these minutes, BRR (endorsed by UNORC) would identify, select and employ a transport economist on a consultancy contract to conduct an in-depth study of the service provided, evaluate the financial sustainability of a commercial operation to provide similarly complete services, and formulate a clear strategy for the transition of the Service.

Decision. It was decided that BRR would write to the Service making a formal request along these lines and further asking that the full cost of employing such a consultant was borne by the Service.

ITEM 2: ANTICIPATED USE OF SERVICE BY BRR.

Jens Baekholm

explained that a large proportion of the projected traffic for the Service up to 30 June 06 was attributed to BRR construction. Pak Eddy explained that the majority of this freight reflected the needs of the Housing & Settlements Division of BRR. The needs of the Housing & Settlements Division hinged on the establishment of 5 depots which had been planned since Apr 06. The best estimates were that freight for the construction of these depots and their stocking should become more refined in 6 to 8 weeks time.

Nias was a separate consideration which BRR and the Service were currently working closely on. Stocking of depots on Nias and t Malayahati would probably be completed more quickly. Alan Johnson stated that he had recently completed a visit to Nias during which he met with the local BRR management and 48 of the contractors and suppliers that would be working with BRR to complete the construction on the island. Subsequent to that visit a meeting had been held in Banda Aceh between the Service and 3 BRR staff (George Kuru, Terry Burns and Pak Edan) who had returned from Nias where they had conducted a logistics capacity assessment focused on the needs of BRR construction. This meeting had been very positive and would be followed up during the week commencing 02 Oct 06 when a list of approved BRR suppliers, with whom the Service could deal directly, would be provided.

The meeting was joined by Pak Joesoef Hakim and a colleague from BRR Housing & Settlements. In consultation with these gentlemen, Pak Eddy was able to provide more detail of BRR's likely freight requirements:

- a) The construction of 10,000 houses had already been contracted through small, local construction companies who would predominantly use local suppliers of building materials. The involvement of the Service in this activity would be minimal.
- b) A further 10,000 houses were to be built by medium and large contractors who would rely on the depot concept for their materials. This activity was at the 'short list' stage and it would be between 6 and 8 weeks before any formal needs would be established. It was envisaged that the materials would be obtained from: cement – Malaysia and Padang; rebar – Surabaya; ceramics – Padang, China, Malaysia and Surabaya; roofing material – Medan, steel frames – Jakarta and Thailand. The split would work out roughly to 30-40% imported, 60-70% Indonesia.

Decision. It was decided that more precise time-lines and quantities would be provided by BRR after a meeting planned between Pak Eddy, Housing & Settlements and the other divisions involved in the construction programme.

ITEM 3: CARGO BOOKED FOR THE SIBOLGA – NIAS ROUTE.

Since

the Service had been asked by BRR to re-instate the ferry service between Sibolga and Nias only 8 trucks had been arranged. In the end these 8 trucks did not materialize either. Alan Johnson stated that it appeared to be necessary for the Service to 'educate' the

prospective users of the ferry to 'book' space on the ferry; this can be done by hard copy and is not necessarily done on the internet. A big challenge was the fact that the Service could not handle cash payments for the passage on the ferry.

Further efforts were also required to encourage the use of sea as a mode of transport from Belawan to Nias rather than the road-ferry route. Publication of the comparative costing of road transport over sea transport should be repeated.

A 'Needs Assessment' Team was in Nias and Sibolga to determine the current use of the public ferry service between Sibolga and Nias and return. The Medan / Belawan personnel from the Service were undertaking visits to building material suppliers in Medan to market the advantages of using the sea route over the land-sea alternative.

Pak Eddy suggested that the Service position a vessel in Sibolga-Nias, rice was suggested as a base-load and BRR would provide a list of suppliers and contractors (including rice suppliers) with whom the Service could do business. Pak Eddy suggested that since the users would almost certainly be owners/drivers of the trucks, they were unsophisticated and in the circumstances the Service should attempt to find a solution to the problem of handling cash payments on this route.

Decision. It was decided that:

- a) The Service would provide an LCT for use on the ferry route between Sibolga and Nias during the week commencing 04-09 Oct 06; find a solution to the problem of handling cash for the use of the ferry;
- b) BRR would: promote the use of the sea route from Medan / Belawan; notify BRR on Nias of the service and indicate that failure to utilize it would signify that the protests of the contractors, suppliers and others on Nias were not serious.

ITEM 4: THE ROLE OF MATMACO. Jens Baekholm stated that over the last few weeks the considerable amount of correspondence had been generated by MATMARCO concerning logistics in Nias and Aceh. Jens asked for clarification of the role of this organization.

Pak Eddy stated that MATMARCO had been contracted as logistics consultants to BRR by the Housing & Settlements Division. There had been talk of MATMARCO also being contracted as the operators of the depots, but that brought with it issues of conflict of interest which had not yet been resolved.

ITEM 5: HANDOVER OF EQUIPMENT. Jens Baekholm advised that meeting that 2 Kalmar 'Reach stackers' (container handling equipment), had been purchased at the start of the project to provide necessary handling equipment in Sabang. The development of Sabang had not transpired. The options were that the equipment, which

represented a considerable investment, could be handed over to BRR, or rented out to the Belawan Port Authority and shipping agents at the port.

Decision. It was decided the Service should formally rent the equipment out to users at the port of Belawan for the time being, as BRR had no capacity to handle such equipment. Subsequently, when the port development programme for NAD-Nias was complete BRR would take the equipment over.

ITEM 6: HANDOVER OF THE SERVICE TO INDONESIAN INTERESTS. Jens Baekholm explained the situation that existed. Commercial interest was focused on servicing lucrative shipping routes only. The over-arching services provided by the Service were not commercially viable and, if considered necessary, would have to be subsidized by as much as 50% to cover the cost of consolidation, logistics coordination, provision of fork-lift trucks for loading and off-loading and the supervision of port operations by a Port Captain. One commercial operator has assessed the Sibolga-Nias route and stated that he has no commercial interest in setting up any routes in and around Nias because there is no clear commitment of cargo. Another commercial operator has started to refer prospective customers to the Service because they can not compete with the rates and the logistic support services currently supplied.

Jens Baekholm suggested that, concurrently with carrying out a study by an independent transport economist, consideration should be given to the Service training Indonesian personnel to assume the various management functions in the Service. A training programme such as this was successfully carried out by WFP during the last Iraq emergency when 1.7 million tones of food was imported into Iraq over a period of 6 months.

Decision. It was decided that:

- a) The Service would provide Terms of Reference (TOR) and minimum qualifications for personnel in key management posts, and take immediate action to select an independent transport economist to conduct a study of the market and plan a transition to an Indonesian operation.
- b) BRR would work with the Service to select suitable candidates for training by the Service as managers.

ITEM 7: TORs FOR THE SHIPPING SERVICE BOARD OF DIRECTORS. Jens Baekholm requested the meeting to consider the under-mentioned TORs for the Board which are designed to provide strategic oversight and governance of the Service. It is suggested that the Board will:

- a) Meet at least once per month. Extra-ordinary meetings can be convened at the request of the Head of the Service or any Board member;

- b) Provide strategic oversight of the Service;
- c) Ensure that the logistics support and sea transport needs in support of reconstruction and development of NAD-Nias are reviewed quarterly to ensure expectations are achieved;
- d) Monitor the quarterly performance of the Service and help resolve bottlenecks and other challenges;
- e) Concur with any recommended changes to the core mandate of the Service
- f) Concur with any financial expenditure over US\$100,000;
- g) Concur with any staff changes involving international/national staff of P4 level or above;
- h) Concur the international/national staff transition plan.

ITEM 8: BRIEFING ON UNHCR PAYMENTS. Jens Baekholm advised the meeting that agreement on the modalities of payment of demurrage and detention charges by UNHCR for vessels provided by the Service for the carriage of Indonesian timber had been reached, in principle, by WFP Rome and UNHCR Geneva.

ITEM 9: USER GROUP MEETINGS. Jens Baekholm advised the meeting that User Group Meeting attendance in Banda Aceh and Medan had dwindled. Eric Morris suggested that this was probably due to the fact that there were many means of promulgating information: website, weekly bulletins, etc. Furthermore, managers were under pressure with the number of meetings they were expected to attend, and bilateral contract with the Service was frequent for those who used, or were planning to use, the service.

Decision. It was decided that User Group Meetings would become ad hoc meetings held monthly, as required.

ITEM 10: DEBT COLLECTION. Jens Baekholm reminded the meeting that the subject of Debt Collection was featured in the MDF Secretariat's queries about the Project Assessment Document. The matter was discussed fully.

Decision. It was decided that the Service would write to Pak Eddy detailing a process, and requesting BRR to appoint an individual manager within a specified unit who would be responsible for the handling of Debt Collection.

ITEM 11: RETURN TO SERVICE OF THE ADINDA. Jens Baekholm advised the meeting that the Adinda, the fourth LCT, has returned to service after under going extensive repairs in dry-dock on Sabang. The vessel had sustained serious damage in Calang in the prevailing bad weather.

ITEM 12: MARKETING OF THE SHIPPING SERVICE TO BRR DEPUTIES.

Alan Johnson advised the meeting that it had become increasingly obvious over recent weeks that many managers and decision makers in BRR did not understand the relationship between BRR and the Service, and furthermore many had no idea of the extend of the services that could be provided. Pak Eddy was requested to facilitate a meeting of the appropriate personnel in BRR which could be briefed by Alan Johnson and Mike Whiting on the Service.

Decision: It was decided that Pak Eddy would advise the meeting of Deputies and managers scheduled for Friday, 29 Sept 06 on the subject of logistics of the need for the briefing.

ITEM 13: ANY OTHER BUSINESS. Pak Eddy briefed the meeting on a conversation that he had with the MDF Secretariat earlier in the day. The points discussed in relation to the Service were:

- a) The need for better communication between the MDF Secretariat and the Service;
- b) Concern on the part of the MDF Secretariat regarding the full revision of the PAD II document
- c) The need to formalize routine reporting

Decision. It was decided that the Service would contact the MDF Secretariat to regularize these matters.

ITEM 14: NEXT MEETING. It was agreed that the date, time and venue of the next meeting would be agreed and advised to all participants in due course.